


KeepRite

PRODUCTS LIMITED

1967 annual report



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KEEPRITE PRODUCTS LIMITED

DIRECTORS

J. GORDON McMILLEN
Brantford, Ont.

IRVIN M. BODINE
Brantford, Ont.

F. STEWART BROWN
London, Ont.

JOHN J. BLACK
Brantford, Ont.

JOHN G. EDISON, Q.C.
Toronto, Ont.

ROSS M. HANBURY
Toronto, Ont.

JOHN O. TREPANIER, Q.C.
Brantford, Ont.

OFFICERS

J. GORDON McMILLEN
President

IRVIN M. BODINE
Executive Vice-President & General Manager
Brantford Division

F. STEWART BROWN
Vice-President & General Manager
London (Unifin) Division

JOHN J. BLACK
Secretary-Treasurer

MRS. ETHEL L. MASON
Assistant Secretary-Treasurer

REGISTRAR and TRANSFER AGENTS FOR CLASS A SHARES

THE CANADA TRUST COMPANY
Montreal, Toronto, Winnipeg, Calgary and Vancouver

AUDITORS

MILLARD, ROUSE AND ROSEBRUGH
Chartered Accountants
Brantford, Ontario

BANKER

CANADIAN IMPERIAL BANK OF COMMERCE

COMPANY PLANTS and OFFICES

Head Office — 44 Elgin Street, Brantford, Ontario

Plants — 44 Elgin Street, Brantford, Ontario
— 1030 Clarke Sideroad, London, Ontario

Sales Offices — Halifax, Montreal, Ottawa, Toronto, Hamilton,
London, Winnipeg, Vancouver.

Representatives — Wilmington, Delaware, U. S. A.
Stafford, England.

KEEPRITE PRODUCTS LIMITED

REPORT OF THE BOARD OF DIRECTORS

To the Shareholders:

Your Directors present, herewith, the financial statements of your Company for the year ended December 31, 1967, with the report of your auditors.

On September 28, 1967, your Company was converted to a public company. The outstanding Class A shares were subsequently offered for sale to the public and were readily accepted by interested investors. Today the number of shareholders of KeepRite Products Limited is something in excess of six hundred.

Sales and Profits: Sales of \$11,687, 989 in the year 1967 were 20.6% higher than the prior year. The increase in sales was fairly evenly distributed over our several product lines, however, the increase in sales of room air conditioners to all markets was somewhat above the average. The net profit after taxes for the year 1967 was \$446,844, or 3.8% of sales, which compares favourably with a profit ratio of 3.2% for the year 1966.

Balance Sheet: The improvement in the working capital of your Company is detailed in the Statement of Source and Application of Funds. Contributing factors which might be noted are the improvements in the ratio of Accounts Receivable to Sales — 15.9%, as compared to 17.3% as at December 31, 1966, and inventory turnover — 7.3 times, as compared to 6.2 times as at December 31, 1966.

Fixed Asset additions of \$165,752, which is almost equivalent to the depreciation taken for the year 1967, reflect our continuing program of equipment and toolage modernization to maintain and improve the productivity of our manufacturing facilities.

Research and Product Development: The Company continues an aggressive research and development program at both its Brantford and London (Unifin) Divisions for the purpose of developing new and improved products, processes and product uses.

The contribution made by these facilities and efforts is reflected in the fact that about 70% of sales volume comes from products which the Company did not market 10 years ago.

General: In view of the many uncertainties in world economic affairs and unsettled markets at home and abroad, it is difficult — if not unwise — to make a specific projection to December 31, 1968. However, we do anticipate continued growth in our volume and, despite higher costs for material, labour, and other expenses, we shall continue to strive for overall cost reductions and increased productivity. The success of these efforts should result in a further improvement in earnings in 1968 — We are confident 1968 will be another good year.

Industry Growth: As manufacturers of commercial and industrial refrigeration, air conditioning and heating products and industrial heat exchange equipment, your Company is recognized as a leader in an industry which has a good growth potential. Conservative forecasts by knowledgeable people indicate an estimated normal growth of 10% to 12% per year in our industry for the foreseeable future. Your Company is one of the industry's largest Canadian manufacturers, built on a reputation for quality products, an aggressive but highly ethical sales policy, outstanding service, all-Canadian engineering and continuing product development. We think that these same factors will maintain our growth and expansion in the future, at least in conformity with, if not better than, the projected growth of our industry.

Personnel: The record of growth of our Company is due in no small measure to the support and co-operation of its loyal employees, many of whom are now shareholders of the Company. We appreciate their efforts and look forward to their continuing support "ON THE KEEPRITE TEAM".

On behalf of the Board of Directors

MARCH 19, 1968.

J. GORDON McMILLEN,
President.

KEEPRITE PRODUCTS LIMITED

STATEMENT OF INCOME

	Year ended December 31		
	1967	1966	
SALES.....	\$11,687,989	\$9,689,669	20.6
Cost of sales, selling, administrative and other expenses exclusive of the items listed below.....	10,569,187	8,874,181	
Depreciation.....	179,314	168,869	
Interest on long term debt.....	26,352	19,125	
	<u>10,774,853</u>	<u>9,062,175</u>	
Net income for the year before taxes on income.....	913,136	627,494	
Taxes on income (Note 2).....	466,292	316,787	+49.2
NET INCOME FOR THE YEAR.....	<u>\$ 446,844</u>	<u>\$ 310,707</u>	43.8
	3.83	3.21	

STATEMENT OF RETAINED EARNINGS

	Year ended December 31	
	1967	1966
Balance — beginning of year.....	\$2,073,198	\$1,767,158
Add: Net income for the year.....	446,844	310,707
	<u>2,520,042</u>	<u>2,077,865</u>
Deduct: Adjustment on prior years' income tax.....	1,848	4,667
Balance — end of year.....	<u>\$2,518,194</u>	<u>\$2,073,198</u>

KeepRite PRO

BALANCE SHEET AS AT

(with comparative figures for 1966)

ASSETS

CURRENT ASSETS:

	1967	1966
Cash on hand and in bank.....	\$ 534,747	\$ 50,325
Accounts receivable after allowance for doubtful accounts.....	1,853,123	1,681,073
Inventories, valued at lower of cost or market.....	1,590,779	1,564,529
Prepaid expenses.....	35,275	20,593
Total Current Assets	<u>4,013,924</u>	<u>3,316,520</u>

OTHER ASSETS:

Special refundable tax.....	15,549	10,405
Investments at cost.....	3,000	3,200
	<u>18,549</u>	<u>13,605</u>

FIXED ASSETS:

Land, buildings and equipment at cost.....	2,095,592	1,981,657
Less: Accumulated depreciation.....	924,837	797,340
	<u>1,170,755</u>	<u>1,184,317</u>

Signed on behalf of the Board:

J. GORDON McMILLEN, *Director*

JOHN J. BLACK, *Director*

\$5,203,228

\$4,514,442

AUDITORS' REPORT

To the Shareholders of KeepRite Products Limited :

We have examined the balance sheet of KeepRite Products Limited as at December 31, 1967, and the statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the company as at December 31, 1967, and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

February 28, 1968.
Brantford, Ontario.

MILLARD, ROUSE AND ROSEBRUGH
Chartered Accountants

UCTS LIMITED

DECEMBER 31, 1967

ures for 1966)

LIABILITIES

CURRENT LIABILITIES:	1967	1966
Bank loan.....	\$ —	\$ 854,000
Accounts payable and accrued liabilities.....	874,730	809,249
Salaries, wages and commissions payable, and payroll deductions to be remitted from employees' compensation.....	194,798	168,090
Income taxes payable.....	268,062	116,328
Note payable — due January 5 (Note 1).....	150,000	150,000
Current instalment of mortgage payable.....	12,500	12,500
Total Current Liabilities.....	1,500,090	2,110,167
DEFERRED INCOME TAXES (Note 2).....	156,937	140,570
LONG TERM DEBT:		
6½% note payable to bank (Note 3).....	1,000,000	—
Mortgage — 6½% payable in annual instalments of \$12,500.00 on July 8, less current instalment shown above.....	12,500	25,000
Note payable — 6% due January 5, 1968 (Note 1).....	—	150,000
	1,012,500	175,000

SHAREHOLDERS' EQUITY

CAPITAL (Note 4):		
AS AT DECEMBER 31, 1967:		
Class A shares without par value and with fixed, preferential, cumulative dividends of 50¢ per share per annum:		
Authorized: 300,000 shares.		
Issued and fully paid: 201,526 shares.....	5,169	—
Common shares without par value:		
Authorized: 500,000 shares.		
Issued and fully paid: 403,052 shares.....	10,338	—
AS AT DECEMBER 31, 1966:		
Preferred shares:		
Authorized and unissued: 2,850 shares of \$10.00 each.....	—	Nil
Common shares:		
Authorized: 75,000 shares without nominal or par value.		
Issued and fully paid: 15,502 shares.....	—	15,507
	15,507	15,507
RETAINED EARNINGS.....	2,518,194	2,073,198
	2,533,701	2,088,705
	\$5,203,228	\$4,514,442

KEEPRITE PRODUCTS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Year ended December 31	
	1967	1966
SOURCE OF FUNDS:		
Net income from operations.....	\$ 446,844	\$ 310,707
Depreciation charged to operations.....	179,314	168,869
Increase in deferred income tax.....	16,367	44,680
Total funds provided from operations.....	<u>642,525</u>	<u>524,256</u>
Proceeds of mortgage less current instalment due.....	—	25,000
Term note arranged through bank.....	1,000,000	—
	<u>1,642,525</u>	<u>549,256</u>
APPLICATION OF FUNDS:		
Fixed assets purchased.....	165,752	234,235
Increase in special refundable tax.....	4,944	10,405
Mortgage instalment paid.....	12,500	—
Long term note paid.....	150,000	150,000
Prior years' income tax adjustment.....	1,848	4,667
	<u>335,044</u>	<u>399,307</u>
Funds retained as increased working capital.....	<u>\$1,307,481</u>	<u>\$ 149,949</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 1: A mortgage on the land and premises owned by the company at London, Ontario, has been given as collateral security for the note payable on January 5, 1968.

NOTE 2: The current year's provision for income taxes included an amount of \$16,367 which is not currently payable as a result of claiming for tax purposes capital cost allowance in excess of depreciation recorded in the accounts. This amount is included in the balance sheet as deferred income taxes together with an amount of \$140,570 with respect to prior years' deferred income taxes.

NOTE 3: The 6½% note payable to the bank has a term of 15 months from December 29, 1967. The company anticipates that this note may be renewed, but the interest rate may vary from 6½%.

NOTE 4:

By supplementary letters patent dated September 28, 1967 and November 10, 1967, the authorized capital of the company was decreased by cancelling the 2,850 unissued preference shares and 59,498 unissued common shares; and the 15,502 issued common shares of the company without par value were subdivided and reclassified into 201,526 Class A shares without par value and 403,052 common shares without par value. By the same supplementary letters patent, the authorized capital of the company was increased by 98,474 Class A shares without par value and 96,948 common shares without par value.

NOTE 5: The aggregate direct remuneration paid or payable by the company to the directors and the senior officers is \$200,090 for the year 1967.

NOTE 6: The company has a group annuity contract with a large life insurance company which provides, on a contributory basis, retirement benefits for all of its employees based on a percentage of average earnings to normal retirement age. The past service liability is being amortized over a 10 year period. The unfunded past service liability as at December 31, 1967, is approximately \$56,800 which will be charged to operating costs over the next three years.

Wood Gundy Securities Limited

TORONTO
MONTREAL
WINNIPEG
VANCOUVER
VICTORIA
HALIFAX
LONDON, ENG.
NEW YORK
NASSAU

W. P. SCOTT., HONORARY CHAIRMAN
C. L. GUNDY., CHAIRMAN
W. P. WILDER., PRESIDENT
VICE - PRESIDENTS
J. N. COLE E. S. JOHNSTON J. K. MCCAUSLAND J. J. WEST
J. E. FARMER R. O. FUNSTON J. B. SMITH
H. W. TINGLEY G. H. TAYLOR P. J. CHADSEY J. H. VERNON R. M. HANBURY
R. T. MORGAN J. N. ABELL A. D. FALKNER J. R. LEMESURIER J. L. McALPINE
C. E. MEDLAND D. C. H. STANLEY I. S. STEERS G. S. SWINDELL

QUEBEC
OTTAWA
LONDON, ONT.
HAMILTON
KITCHENER
REGINA
EDMONTON
CALGARY
SAINT JOHN

36 King Street West
Toronto

April 17, 1968.

Globe & Mail,

Business Section,
140 King Street, West,

Toronto, Ontario.

Dear Sir:

Re: KeepRite Products Limited

The company released its first Annual Report as a public company earlier this week. Earnings for the year ended December 31, 1967 were \$446,844. We noted that the Dow Jones Service computed earnings at \$2.20 for 1967.

As set out in the recent prospectus, the 201,526 Class "A" shares outstanding are entitled to a preferential dividend of \$0.50 per share. Thereafter the Class "A" shares and the outstanding 403,052 common shares participate equally in earnings. A calculation of per share earnings employing the above structure is set out below.

	<u>1966</u>	<u>1967</u>
Net Profit	\$310,707	\$446,844
Less: Class "A"		
Preferential dividend	<u>100,763</u>	<u>100,763</u>
	\$209,944	\$346,801
Balance for Class "A" & Common		
: Total shares outstanding	604,578	604,578
Balance per Class "A" & Common	0.35	0.57
Add Class "A" Preferential dividend	<u>0.50</u>	<u>0.50</u>
Earnings per Class A Share	\$0.85	\$1.07

Yours sincerely,

WOOD GUNDY SECURITIES LIMITED.

HB/FB

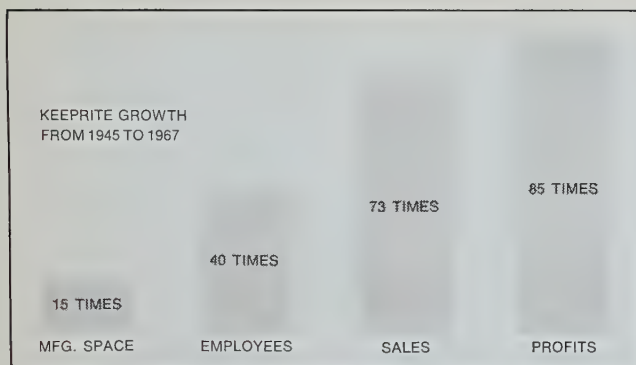
Per:

(Mrs.) H. Boschen

How far and how fast can a Canadian company grow in 23 years?

This far.

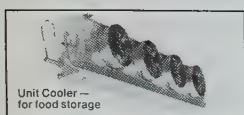
How many all-Canadian firms do you know that are recognized as leaders in their field — not only in Canada but all over the world? KeepRite is one of these leaders. There must be a reason for this! KeepRite has complete manufacturing and product development facilities in their plant at Brantford and at the Unifin Division plant in London, Ontario. As one of the industry's largest Canadian manufacturers, their products include commercial and industrial refrigeration and air conditioning equipment, window air conditioners, heating equipment and a wide range of industrial heat exchangers.



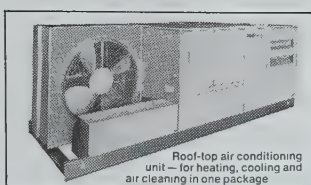
This fast.

In twenty-three years (1945 to 1968) KeepRite has grown from 10 to 400 employees and from \$161,000 to \$11,700,000 in sales. Profits in 1967 were up 35 to 40%. Remarkable? Yes, but testimony to the fact that imaginative engineering, quality products and satisfied customers just naturally lead to success — success recognized around the world. Ask any refrigeration or air conditioning expert in Montreal, Chicago or London, England about KeepRite. He knows the all-Canadian engineering, the outstanding service, the highest quality control standards and the continuing development that make KeepRite products "first choice" in Toronto, Liverpool, Stockholm, Athens and New York.

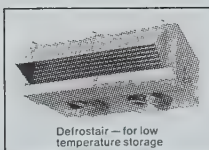
These are the factors which built KeepRite into an industry leader. The same factors will maintain growth and expansion in the future.



Unit Cooler —
for food storage



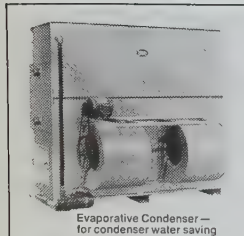
Roof-top air conditioning
unit — for heating, cooling and
air cleaning in one package



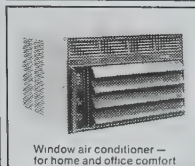
Defrostair — for low
temperature storage



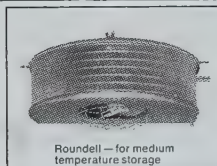
Air Cooled Condenser —
for economy of operation



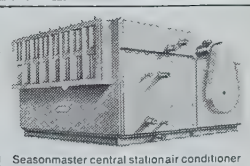
Evaporative Condenser —
for condenser water saving



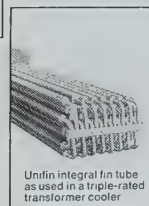
Window air conditioner —
for home and office comfort



Roundell — for medium
temperature storage



Seasonmaster central station air conditioner



Unifin integral fin tube
as used in a triple-rated
transformer cooler

KeepRite

Products Limited
Brantford, Ontario

Sales Offices—Halifax, Montreal, Ottawa,
Toronto, Hamilton, London, Calgary,
Winnipeg and Vancouver

Unifin Division—London, Ontario
Sales Offices—London, Toronto, Montreal,
Halifax, Wilmington, Del. U.S.A.,
Stafford, England.

KeepRite

AN ALL CANADIAN COMPANY